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AUTHOR Hussar, William J.
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ABSTRACT

This issue brief presents projections for current expenditures in public elementary and secondary schools in the United States. The following areas are examined: the historical association between the economy and the level of expenditures; the importance of funds from state and federal governments; the effect of the next decade's anticipated enrollment increases on current expenditures; and factors that affect the accuracy of the projections for current expenditures per pupil. Four tables/graphs are included. (LMI)

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ISSUE BRIEF

Current Elementary and Secondary Expenditures—1990s and Beyond

JUNE 1993

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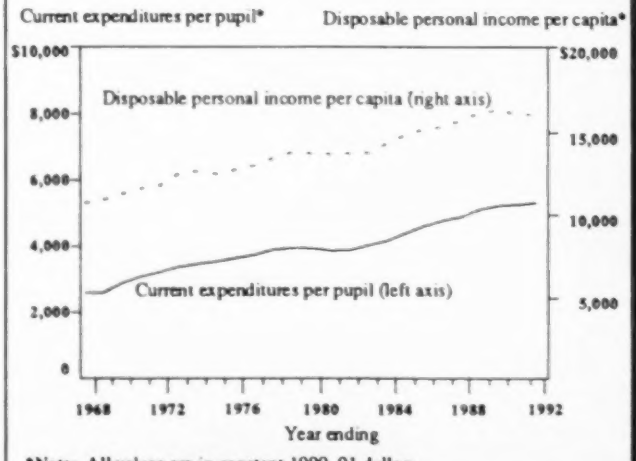
Spending on education is an important part of the U.S. economy. In 1991, spending for current expenditures in public elementary and secondary schools alone was approximately 3.6 percent of Gross National Product. With governments at all levels facing budget constraints, it is important to consider some possible trends for education expenditures throughout the 1990s. This is particularly important with large increases in enrollments expected for the next ten years.

In this new *Issue Brief*, projections for current expenditures in public elementary and secondary schools are considered. (Current expenditures are all expenditures excluding capital outlay and interest on school debt.) Much of the information in this *Issue Brief* is based on the recent National Center for Education Statistics publication, *Projections of Education Statistics to 2003*.

What is the historical association between the economy and the level of expenditures in public elementary and secondary schools? What are the implications for the 1990s and beyond?

Historically, education expenditures in real terms, (that is, with the effects of inflation removed) have followed a path similar to general economic trends. This can be seen by examining the recent trends in education expenditures per pupil and the economy.

Figure 1.—Current expenditures per pupil of public schools, and disposable personal income per capita: 1977–78 to 1991–92



*Note: All values are in constant 1990–91 dollars

During periods when the economy was largely increasing such as in the late 1960s and 1970s and also the middle of the 1980s, current expenditures per pupil in real terms increased steadily. During periods when the economy was in recession such as in the late 1970s and early 1980s and also the early 1990s, current expenditures per pupil in public elementary and secondary schools either increased slowly or declined. This relationship can be seen in figure 1 which shows the trend from 1967–68 to 1991–92 for current expenditures per pupil and one major indicator of the state of the economy, disposable income per capita. Because there is uncertainty about the path of future economic growth, three different sets of projections for current expenditures per pupil were prepared, each based on an alternative set of assumptions for the economy (table 1). Three sets of projections for total current expenditures, which were calculated by multiplying the projections for current expenditures by those for enrollment, also appear in table 1. The different assumptions for the economy and other factors produce quite different growth paths for both total current expenditures and current expenditures per pupil (table 1 and figure 2).

Table 1.—Percent changes in constant dollars from 1991–92 to 2002–2003: middle, low, and high alternatives

	Alternatives		
	Middle	Low	High
Current expenditures	42	27	54
Current Expenditures per pupil	24	10	34
Disposable income per capita	17	16	19
Revenue receipts from state sources per capita	30	7	45

How important are funds from state and federal governments?

The amount that local governments spend on education is also historically associated with the amount of aid for education that they receive from state governments. In 1990–91, 47.3 percent of all revenues for local governments came from state governments (table 2). The importance of state aid does vary considerably by state. As also can be seen in table 2, the percent varies by state, with a few states providing more than 70 percent of elementary and secondary school education revenues and other state governments providing less that 30 percent. The amount of money that states send to local government is itself influenced by the economy: during economic downturns, state expenditures for

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other programs such as unemployment, welfare, and Medicare/Medicaid increase leaving less money for education. Hence, those states that receive more of their revenues from state sources are more heavily impacted by economic downturns.

Table 2.—Revenues for public elementary and secondary schools from state and federal sources as percentages of all education revenues: selected states, 1990–91

State	State revenue as a percent of all revenues	Federal revenue as a percent of all revenues
United States	47.3	6.2
Hawaii	89.9	7.8
Nebraska	31.0	5.9
New Hampshire	7.8	2.8
New Mexico	72.7	12.2
Oregon	25.4	6.1
Washington	72.1	5.7

Note: These states are those in which state revenues are the highest and lowest percents of all revenues.

The federal government also contributes money to local governments for education. However, the amount is significantly less than state aid. This can be seen in table 2. With the federal share being so small, it is far less important to consider the future trend of federal education expenditures when considering the future of current expenditures.

How might the large increases in enrollments expected for the next ten years affect current expenditures?

As is described in *Issue Brief: School Enrollment Expected to Surpass Historic All-time High*, which is being released concurrently with this publication, enrollment is projected to rise rapidly throughout the rest of the decade and into the next. This increase may have a major effect on current expenditures. On the one hand, with more students, there will be a downward effect on current expenditures per pupil. On the other, total current expenditures would be expected to increase at least 15 percent in constant dollars over the next 10 years if enrollments increase as expected. Hence, while we cannot be certain of the exact level of total current expenditures over the next ten years because of uncertainty concerning economic conditions, there will most likely be a significant upward trend due to the increase in enrollments expected for the next ten years.

What are some factors that might affect the accuracy of projections for current expenditures per pupil?

Developing accurate projections in most instances is a difficult undertaking, and is especially so for an economic statistic such as current expenditures. There are a number of factors that could affect the accuracy of these projections. First, each of the three sets of projections for current expenditures per pupil was produced using some quite specific assumptions concerning the economy, state aid for education, enrollments, and the population. The closer a set of assumptions is to being realized, the more likely the projections for current expenditures per pupil produced by that set of assumptions will approximate the actual values. For example, education expenditure projections produced before the recent recession tended to be high as the assumptions did not reflect the recession. Second, the historical relationship that has existed between current expenditures per pupil and the economy, state revenues, or enrollments could change. If this were to happen, then it would affect the accuracy of the projections.

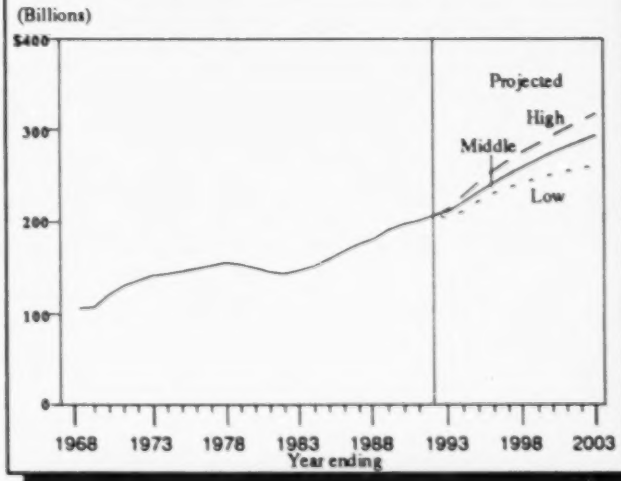
For more information, see the following reports:

U.S. Department of Education, National Center for Education Statistics. Common Core of Data surveys.

U.S. Department of Education, National Center for Education Statistics. *Projections of Education Statistics to 2003* (NCES 92–218), by D.E. Gerald and W.J. Hussar, Washington D.C.: 1992.

U.S. Department of Education, National Center for Education Statistics. *Pocket Projections: 1980–81 to 2002–2003* (NCES 93–194), by W.J. Hussar, Washington D.C.: 1993.

Figure 2.—Current expenditures of public schools (in constant 1990–91 dollars), with alternative projections: 1977–78 to 2002–2003



U.S. Department of Education, National Center for Education Statistics. *Issue Brief: School Enrollment Expected to Surpass Historic All-time High* (NCES 93–459), by D.E. Gerald and W.J. Hussar, Washington D.C.: 1993.

SOURCE: All data in this *Issue Brief* are from *Projections of Education Statistics to 2003*. National Center for Education Statistics, NCES 92–218.

Issue Briefs present information on education topics of current interest. For methodological details on the assumptions and methods used to produce the projections presented in this *Issue Brief*, see *Projections of Education Statistics to 2003*.

This Issue Brief was prepared by William J. Hussar. For further information on expenditures projections, contact William J. Hussar, (202) 219–1682. To receive a copy of this *Issue Brief*, call 1–800–424–1616.